



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TEGE EO Examinations Mail Stop 4920 DAL
1100 Commerce St.
Dallas, Texas 75242

501.03-00

Date: December 2, 2010

Number: 201108038

Release Date: 2/25/2011

LEGEND

ORG - Organization name

XX = Date Address - address

ORG

ADDRESS

Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Employee Telephone Number:

(Phone)

(Fax)

CERTIFIED MAIL - RETURN RECEIPT

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code. Our favorable determination letter to you dated September 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

You have failed to provide information that you are organized and operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3) and that no part of your net earning inure to the benefit of private shareholders or individuals. You did provide information stating that your organization has been inactive since its inception and that there have been no operations or financial activities conducted or planned. As such, you fail to meet the operational requirements for continued exemption under section 501(c)(3).

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending December 31, 20XX, and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate

court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to the United States Tax Court at the following address:

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
TEGE EO Examinations
400 N. 8th Street, Room 480, Box 74
Richmond, Virginia 23219

May 14, 2010

ORG
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear :

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing,
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG (EIN)		Year/Period Ended 12/31/20XX

LEGEND

ORG = Organization name XX = Date County = county

ISSUE:

1. Whether ORG continues to qualify as an organization described under IRC 501(c)(3) due to inactivity?

FACTS:

The ORG., herein referred to as ORG, is recognized as an IRC 501(c)(3) as a Type 1 supporting organization under Section 509(a)(3). A Type 1 supporting organization is operated, supervised, or controlled by one or more publicly supported organizations.

ORG received its exemption from the Internal Revenue Service on September 6, 20XX.

The Articles of Incorporation state that the purpose of the organization is to support the ORG (ORG.) in its charitable enterprises by accepting donations and acquiring title to real estate to be used in connection with fulfilling the ORG.'s mission of advocating for the humane care and welfare of animals and finding a good home for every adoptable pet on the County. In addition, ORG shall perform other such support activities as may be from time-to-time appropriate, lawful, and congruent with the tax-exempt purposes of the ORG.

During the conduct of our examination, it was determined that ORG has been inactive since the commencement of its exempt status in 20XX. ORG conducted no exempt activities, it never received or solicited any means of support, it had no bank accounts, it never formed a governing body and it never provided any support to the ORG. as stated in its Articles of Incorporation.

LAW:

IRC §501(c)(3) of the Code exempts from federal income tax organizations which are organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Tax Reg. §1.501(c)(3)-1(a)(1), provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Tax Reg. §1.501(c)(3)-1(d)(i) states that an organization may be exempt as an organization described in section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

Tax Reg. §1.501(c)(3)-1(c)(1) states that in organization will be regarded as "operated exclusively" for one or more purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3).

Tax Reg. 1.509(a)(3)-4(b) states that in order to qualify as a supporting organization, an organization must be both organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of, one or more specified publicly supported organizations. If an organization fails to meet either the organizational or operational test, it can not qualify as a supporting organization.

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG (EIN)		Year/Period Ended 12/31/20XX

Tax Reg. 1.509(a)(3)-4(c)(1) provides that an organization is organized exclusively for one or more of the purposes specified in section 509(a)(3)(A) only if its articles of organization: 1) Limit the purposes of such organization to one or more of the purposes set forth in section 509(a)(3)(A); 2) Do not expressly empower the organization to engage in activities which are not in furtherance of its purposes; 3) State the specified publicly supported organizations on whose behalf such organization is to be operated; and 4) Do not expressly empower the organization to operate to support or benefit any organization other than the specified publicly supported organizations.

Tax Reg. 1.509(a)(3)-4(e)(1) provides, in part, that a supporting organization will be regarded as "operated exclusively" to support one or more specified publicly supported organizations only if it engages solely in activities which support or benefit the specified publicly supported organizations.

Rev. Proc. 90-27, 1990-1 C.B. 514, (April 30, 1990) states that a ruling or determination letter recognizing exemption may be revoked or modified by (1) a notice to the taxpayer to whom the ruling or determination letter originally was issued, (2) enactment of legislation or ratification of a tax treaty, (3) a decision of the United States Supreme Court, (4) issuance of temporary or final regulations, or (5) issuance of a revenue ruling, revenue procedure, or other statement published in the Internal Revenue Bulletin. The revocation or modification may be retroactive if the organization omitted or misstated a material fact, operated in a manner materially different from that originally represented, or, in the case of organizations to which section 503 applies, engaged in a prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purpose and such transaction involved a substantial part of the corpus or income of such organization. Where there is a material change, inconsistent with exemption, in the character, the purpose, or the method of operation of an organization, revocation or modification will ordinarily take effect as of the date of such material change. In cases where a ruling or determination letter was issued in error or is no longer in accord with the holding of the Service, when section 7805(b) relief is granted (see sections 15 and 18 of Rev. Proc. 90-4), retroactivity of the revocation or modification ordinarily will be limited to a date not earlier than that on which the original ruling or determination letter is modified or revoked.

TAXPAYER'S POSITION:

The ORG board has agreed to cease operations of the organization.

GOVERNMENTS POSITION:

Since the organization has remained inactive since its inception, it does not meet the operational test and thus does not qualify for exemption under IRC 501(c)(3).

CONCLUSION:

The organization does not qualify for exemption under IRC 501(c)(3) therefore its tax exempt status should be revoked effective January 1, 20XX. ORG has agreed by signing Form 6018.